

Chapter 6: 2005 Legislation Providing Additional Funds for Local Governments

During the 2005 Legislative Session the Legislature passed and the Governor signed into law several bills that impact local government revenues and resources. A list of legislation affecting local government revenues would include the following:

Substitute House Bill 1189 (Chapter 250, Laws of 2005) - Establishing a formal requirement for counties to have an assistance program for indigent veterans and their families. The bill clarifies that a property tax levy of up to \$0.27 can be used to finance only the veterans assistance program.

While the veterans assistance program is not new, this new law requires action by counties and provides an update of the mechanism to pay for the program.

2nd Substitute House Bill 1240 (Chapter 480, Laws of 2005) - Collection Procedures for Real Estate Excise Tax. County treasurers collect state and local Real Estate Excise Taxes (REET). Among other things, the bill increases the existing tax filing fee from \$2 to \$5, and provides that two additional fees of \$5 each be charged on each REET transaction (payment). Note: The county treasurers organization contends that the third \$5 fee is a legislative mistake and is expected to seek legislation in 2006 to eliminate the third \$5 fee. County treasurers deduct a percentage of the state REET receipts to pay for the county costs of administering the state portion of the tax program. Effective July 1, 2006, the administrative fee they charge increases from 1% to 1.3%. Lastly, the bill provides a grant program to reimburse counties for their costs of developing computer-based programs to account for and transmit REET information to the state.

Rather than having the counties pick up the tab for the additional costs of modernizing the accounting and reporting systems for REET, this bill provides three mechanisms: increased direct fees, increased administrative fees, and grants to pay for the counties' costs.

House Bill 1386 (Chapter 442, Laws of 2005) - County auditor surcharge for preservation of historical documents. This bill increases a \$2 surcharge to \$5 for recording documents. The county will retain half of the revenue from the surcharge; the other half goes to the State Treasurer for redistribution back to counties based on an established formula.

The fee surcharge increase will defray some of the increased costs counties have experienced in maintaining records preservation programs. The state specifies document preservation program requirements.

Engrossed Substitute House Bill 2163 (Chapter 484, Laws of 2005) - \$10 county auditor recording fee for financing homeless housing programs. Sixty percent of the \$10 fee will fund local programs with the remainder remitted to the state to pay for state programs and for grants to local jurisdictions' homeless programs

The bill creates a new state directed program carried out by counties and, at their option, cities. The additional revenue from the surcharge is expected to pay for the programs.

Senate Bill 5136 (Chapter 122, Laws of 2005) - Allowing fire districts to protect part of their property tax levy from pro-rationing. The bill provides for a new, additional property tax levy - outside the \$5.90 limit - of up to \$.25 when two existing district funding levies are subject to pro-rationing. Note:

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local property tax levies that fall under the \$5.90 aggregate limit are ratably reduced according to a set formula when the aggregate of the rates exceed \$5.90.

When local property taxing districts are competing for funds under the \$5.90 cap, this bill will allow a small levy not subject to the cap to provide additional funding.

Substitute Senate Bill 5177 (Chapter 336, Laws of 2005) - New local sales tax for transportation benefit districts (section 15). This new sales and use tax of up to 0.2 of one percent would not provide funding directly to a county or city, but it could be a source of revenue for a transportation benefit district formed by a combination of local jurisdictions. Other sections of the bill provide for locally imposed vehicle tolls and local vehicle license fees. There exists other funding sources for local transportation benefit districts.

Rather than using existing general taxing authority to pay for transportation improvements, this bill allows cities and counties to join in funding improvements using these new and other existing revenue mechanisms.

Engrossed Substitute Senate Bill 5396 (Chapter 303, Laws of 2005) - Requires state to make payments to local governments in lieu of property taxes when land is taken for use in habitat conservation, riparian, farmland preservation, or recreation areas. Local governments have complained when land is "taken" by the state for public preservation purposes and property taxes no longer apply. This bill would hold local governments harmless because the state would make payments equaling the foregone taxes.

While this is not a revenue-raising bill, it does preserve local government funding sources when the state takes action to reduce the base to which local property taxes apply.

Engrossed 2nd Substitute Senate Bill 5763 (Chapter 504, Laws of 2005) - New local sales tax for mental health/substance abuse programs (section 804). The bill allows counties to charge an additional sales tax of 0.1 percent. The tax receipts can only be used for new or expanded mental health treatment or chemical dependency services or for new or expanded therapeutic court programs.

This new taxing authority provides a source of additional funding and relieves counties from having to provide for new programs using existing general-purpose county taxes.

Engrossed Substitute Senate Bill 6050 (Chapter 450, Laws of 2005) - Providing for state revenue sharing with cities and counties using state REET revenues. This bill provides funds to local governments according to a set formula provided in the legislation. An estimated \$20 million would be redistributed to counties and cities during the current state biennium. Under prior law the funds provided under this program would have gone to the public works assistance account. The public works assistance account program awards grants to local governments for public works improvements. The bill does not impose any restrictions on how local governments can use the funds they receive.